

AMENDED IN SENATE JUNE 6, 2012

AMENDED IN SENATE APRIL 24, 2012

AMENDED IN ASSEMBLY JANUARY 12, 2012

AMENDED IN ASSEMBLY JANUARY 4, 2012

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 1345**

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**Introduced by Assembly Member Lara**

February 18, 2011

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An act to amend Section 12410.5 of, and to add Section 12410.6 to, the Government Code, relating to audits.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1345, as amended, Lara. Local government: audits.

(1) The federal Single Audit Act of 1984 requires any nonfederal entity, defined as a state, local government, or nonprofit organization, that expends \$300,000 or more in federal money to prepare an annual audit that meets certain specifications and transmit that audit to specified federal agencies. Existing law requires the Controller to receive every audit report prepared by any local public agency, pursuant to the federal Single Audit Act of 1984, and review those reports for compliance with federal law before forwarding them to the designated state agency.

This bill would require the annual audit reports made pursuant to the federal Single Audit Act of 1984 to be submitted to the Controller within 9 months after the end of the period audited or pursuant to applicable federal or state law. This bill would authorize the Controller to appoint

a qualified certified public accountant or public accountant to complete an audit report if a local agency, as defined, fails to submit the audit report to the Controller by the specified date. The bill would require the Controller to first notify a local agency of its failure to submit the audit report and give the local agency a reasonable amount of time to submit the report before appointing a certified public accountant or public accountant. The bill would require the Controller to report certain misconduct and nondisclosures to the California Board of Accountancy.

(2) Existing law requires certain audits to be performed by specified accountants and accounting firms.

This bill would require any audit for any local agency to be performed by a certified public accountant or public accountant, as specified. The bill would prohibit a local agency from employing certain public accounting firms to perform an audit, as specified, unless the Controller finds that another eligible public accounting firm is not available to perform the audit.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 12410.5 of the Government Code is  
2 amended to read:  
3 12410.5. (a) The Controller shall receive every audit report  
4 prepared for any local agency, as defined in Section 53890, in  
5 compliance with the federal Single Audit Act of 1984 (31 U.S.C.  
6 Sec. 7501 et seq.) and required under any law to be submitted to  
7 any state agency, and shall, after ascertaining its compliance with  
8 that federal act, transmit the report to the designated state agency.  
9 (b) The audit report shall be submitted to the Controller within  
10 nine months after the end of the period audited or pursuant to  
11 applicable federal or state law.  
12 (c) An audit report for any local agency submitted to the  
13 Controller pursuant to this section shall comply with the  
14 Government Auditing Standards issued by the Comptroller General  
15 of the United States.  
16 (d) If a local agency does not submit the audit report required  
17 by this section to the Controller by the due date established in  
18 subdivision (b) of this section, the Controller may appoint a  
19 qualified certified public accountant or public accountant to

1 complete the report and to obtain the information required. Any  
2 cost incurred by the Controller pursuant to this subdivision,  
3 including a contract with, or the employment of, the certified public  
4 accountant or public accountant, in completing the audit shall be  
5 borne by the local agency and shall be a charge against any  
6 unencumbered funds of the local agency.

7 (e) Before appointing a certified public accountant or public  
8 accountant pursuant to subdivision (d), the Controller shall first  
9 notify a local agency of its failure to submit the audit report and  
10 give the local agency a reasonable amount of time to submit the  
11 report.

12 (f) The Controller shall refer any matters of unprofessional  
13 conduct, as defined in Section 5100 of the Business and Professions  
14 Code, and multiple and repeated failures to disclose noncompliant  
15 acts to the California Board of Accountancy.

16 SEC. 2. Section 12410.6 is added to the Government Code, to  
17 read:

18 12410.6. (a) An audit for any local agency, including those  
19 submitted to the Controller pursuant to subdivision (a) of Section  
20 12410.5, shall be made by a certified public accountant or public  
21 accountant, licensed by, and in good standing with, the California  
22 Board of Accountancy.

23 (b) Commencing with the 2013–14 fiscal year, a local agency  
24 shall not employ a public accounting firm to provide audit services  
25 to a local agency if the lead audit partner or coordinating audit  
26 partner having primary responsibility for the audit, or the audit  
27 partner responsible for reviewing the audit, has performed audit  
28 services for that local agency ~~for each of the six previous~~  
29 *consecutive* fiscal years. *For purposes of calculating the six*  
30 *consecutive fiscal years, the local agency shall not take into*  
31 *account any time that a public accounting firm was employed by*  
32 *that local agency prior to the 2013–14 fiscal year.* The Controller  
33 may waive this requirement if he or she finds that another eligible  
34 public accounting firm is not available to perform the audit.